

# GOVERNOR'S BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEES RETIREMENT SYSTEMS

MINUTES  
APRIL 16, 2007

The organizational meeting of the Governor's Blue Ribbon Commission on Public Employees Retirement Systems was called to order by Chairman John Farris, Secretary, Finance and Administration Cabinet on Monday, April 16, 2007 at 1:00 p.m. in Room 129 of the Capitol Annex.

Chairman Farris asked David Fleenor, General Counsel to the Governor, to swear in the members of the Commission to fulfill constitutional and statutory requirements.

After the members were sworn in, Chairman Farris introduced Governor Ernie Fletcher, who addressed the Commission members and the audience:

Governor Fletcher addressed the Commission and expressed his thanks on behalf of the citizens of the Commonwealth for their willingness to participate in this significant fiscal endeavor. He charged the Commission with answering two questions: (1) How does the Commonwealth fulfill its obligation to current employees and retirees? (2) What is an appropriate retirement package for future public employees? He asked that the Commission complete its task and make a recommendation by December 2007. Governor Fletcher reiterated the importance of honoring the commitment made to current employees and retirees while restoring the financial integrity of the retirement accounts. Governor Fletcher made himself available for any questions members may have regarding the charge given them.

Chairman Farris asked each member to identify themselves and the entity they represent:

**Chairman Farris, Secretary, Finance and Administration Cabinet**, stated that he is the chief financial officer of the Commonwealth and is concerned about present and future liabilities that may exist now or in the future and how they affect the Commonwealth's bond ratings and future expenditures.

**Brad Cowgill, State Budget Director**, stated that he is the Governor's principle advisor on budget policy for the Commonwealth and is concerned about the level of obligation that the state has undertaken.

**Debra Holland Tudor, Attorney, Frost Brown Todd**, stated that she was a lifelong resident of Kentucky and a lawyer, practicing almost exclusively in the ERISA and employee benefits area for 20 years.

**Mark D. Birdwhistell, Secretary, Cabinet for Health and Family Services,** stated that his expertise, from a health insurance perspective, is that he was instrumental in working with state employees to self insure.

**Sylvia Lovely, Executive Director, Kentucky League of Cities,** stated that she represented Kentucky cities and municipalities. She stated that she is also a member of a coalition consisting of the Kentucky Chamber of Commerce and the Pritchard Committee on Academic Excellence who have combined efforts to ensure the sustainability of Kentucky's retirement programs.

**Jack Adams, Commissioner of the Kentucky State Police,** stated that he represents the State Police retirees and the State Police Retirement System.

**John R. Hall, Retired Chairman of Ashland Oil,** stated that he served as a director for seven different public corporations which dealt with employee-benefit issues, including Humana.

**Jim Parsons, Attorney in Northern Kentucky, Taft, Stettinius & Hollister,** stated that he had worked in local government administration for 31 years and is a retiree.

**Brent McKim, Science Teacher, Manual High School, Louisville, Kentucky,** stated that he represents the Kentucky Education Association.

**Lee Jackson, President, Kentucky Association for State Employees,** stated that he represents the largest number of employees in state government.

**Harry Moberly, State Representative, 81st Legislative District and Chair of the House Appropriations and Revenue Committee,** stated that from a legislative standpoint he is interested in a sustainable retirement system in order to meet budget priorities in the future.

**Charlie Borders, State Senator, 18th Senator District, and Chair of the Senate Appropriations and Revenue Committee,** stated that he recognizes the significance of the issue and looks forward to protecting the constitutional rights of current employees while ensuring funds are available for future budget needs.

**Gary Harbin, Executive Secretary, Kentucky Teacher's Retirement System,** stated that he represents teachers throughout Kentucky current and retired.

**William P. Hanes, Executive Director, Kentucky Retirement System,** stated that he represents the interests of the members of the Kentucky Retirement System.

**Grant Satterly, Director, Financial Services, Kentucky Association of Counties,** stated he was acting as the proxy for Bob Arnold who represents the interests of 120 counties and their political subdivisions.

**David Jones, Retired Chairman and Co-Founder of Humana,** stated he was responsible for moving Humana to a consumer directed health care plan.

**Shawn J. Ridley, Founder and CEO of Atlas Brown in Louisville, Kentucky**, stated that he had twenty plus years of investment experience managing pension funds and institutional money.

**Frank Hatfield, retired Superintendent, Bullitt County Schools**, stated that he represents the 26,000-member Kentucky Retired Teachers Association.

**Ronnie O'Nan, Executive Director, Kentucky Transportation Employees Association**, stated that he represents Transportation Cabinet employees throughout Kentucky.

**Todd P. Lowe, President, Parthenon, LLC Investment Advisors, Louisville, Kentucky**, stated that he was honored to be a member of the committee.

**David G. Dowell, Partner, Russell Capital Management, Lexington, Kentucky**, stated he had been employed in the investment business for 25 years.

**Andrew R. Jacobs, Stites & Harbison, Louisville, Kentucky**, stated that he practices primarily in pension law and other employee benefits.

**Bob Brown, Executive Director, Kentucky Public Employees Deferred Compensation Authority**, stated that he has over 30 years experience in the defined benefit and defined contribution retirement plans and is responsible for administering the 401K and 457 supplemental and voluntary retirement plans.

**Brian Crall, Secretary, Personnel Cabinet**, stated that he administers the state's self-insured health insurance plan.

Chairman Farris recognized other members of the General Assembly who were present: Representative Webb, Representative Dedman, Representative Montell, Representative Thompson, Representative Graham and Representative Cherry.

Chairman Farris introduced Finance Cabinet employees Becky Parrish and Jill Midkiff and informed the members that they may contact these individuals if they need information or have questions regarding the Commission's activities.

Chairman Farris introduced Mike Burnside, Deputy Secretary, Finance and Administration Cabinet and Fran Pinkston, Executive Director, Procurement Services, Finance and Administration Cabinet to discuss the Request for Proposal (RFP") process for consulting services. Mr. Burnside presented a draft summary of an RFP for consulting services that will be issued in the future. Mr. Burnside indicated that the first RFP will be issued for legal consulting services; specifically, an expert in constitutional law who can advise the Commission on the nature of the inviolable contract and the impact the contract will have on any recommendations the Commission may make. Mr. Burnside stated that the second RFP will be for two different types of services, benefits and actuarial design. He indicated that the firm selected will be an expert in benefits design and will serve as an objective third party to assist the Commission in designing any changes that may be necessary for future employees. He added that the firm selected will also complete an actuarial analysis to mitigate the risk to the Commonwealth for

future years and to assist in completion of the final report to the Governor. Mr. Burnside stated that these services will be procured through KRS 45(A) as a competitive bid process. Mr. Burnside stated that the responses to the RFPs will be evaluated by a committee who will report the results of the selection process to the Commission. He noted that the supervisor on the RFP process will be Fran Pinkston.

Mr. Hanes, Executive Director, Kentucky Retirement System, stated that it was his understanding that the actuary would review the analysis completed by the respective retirement systems. Chairman Farris stated that was correct.

Chairman Farris stated that the charge to the Commission was twofold: (1) how will existing commitments to state employees and retirees would be fulfilled; and (2) what level of benefits should future employees be offered. Chairman Farris indicated that three working groups will be formed to develop recommendations for the full committee: (1) Defining the Strategy to Fulfill our Commitments to Existing Employees and Retirees; (2) Detailing the Appropriate Level of Pension Benefits to Attract and Retain Future Public Employees; and (3) Developing Sustainable Healthcare Plans and Benefits for Public Employees. Chairman Farris stated that Brad Cowgill is the chair of the first working group, Brian Crall is the chair of the second working group and Mark Birdwhistell is the chair of the third working group. He asked the members to rank the groups in order of preference for which they would like to serve and they would be notified of the committee on which they are placed.

Brent McKim, designee for Kentucky Education Association, asked if opportunities would exist for individuals other than members to provide input. Chairman Farris indicated that the meetings would be open to the public.

Brian Crall stated that an issue of this magnitude could lend itself to many people wanting to express legitimate personal concerns and if individuals express in great number an interest in participating, it would be difficult to reach a decision. He suggested that individuals be encouraged to work through their natural associations to make the process more streamlined.

Ed Ross, Executive Director, Office of the Controller, discussed per diem and travel reimbursement for Commission members.

Chairman Farris stated the next meeting of the Commission would be held on May 14, 2007 at 1:00 p.m. in the Capitol Annex. The room had not yet been determined.

Sylvia Lovely asked if proxies could be designated to attend meetings of the full commission and the working groups. Chairman Farris stated that members could designate proxies to attend full commission and/or working group meetings in their absence.

Senator Charlie Borders asked if the firms selected in the competitive bid process would be selected based solely on the lowest bid. Mr. Burnside stated that bids will be awarded as personal service contracts based on competitive negotiations which will allow for selection based on factors other than the lowest bid.

Chairman Farris thanked each member for their willingness to serve and recognized Representative Charlie Hoffman and thanked him for attending. With no further business before the Commission, the meeting was adjourned.

Respectfully submitted,

John R. Farris, Secretary  
Finance and Administration Cabinet